

June 24, 2011

To: Executive Board

Subject: **Fiscal Year 2011 Financial Statements and Investment Summary – May 2011**

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### **Recommendation**

Receive and file the Financial Statements and Investment Summary for Fiscal Year 2011.

### **Analysis**

The attached Financial Statements and Investment Report summarize Foothill Transit's unaudited operations and financial condition for the first eleven months of the fiscal year ending June 30, 2011.

Foothill Transit's cash position of \$57 million is \$1.8 million more than the previous month. This increase of cash is the net change between the uses of cash and sources of cash. Uses of cash include a \$995,323 increase in Due from Other Governments. Sources of cash consisted of an increase in deferred revenue of \$2.3 million and \$644,831 of excess grant revenues over expenditures.

May 2011 fare revenues were \$1.4 million, which is 11.6 percent more than the monthly budgeted amount. This is the eleventh month in which revenues have exceeded the monthly budgeted amount. It is difficult to isolate the factors responsible for this increase. A fare increase was implemented along with service refinements to improve fare revenues. The combination of these factors along with rising gasoline prices may have positively impacted fare revenues more than reflected in the budget. Recent economic forecasts are also indicating an improvement; however the unemployment rate remains in the double digits.

Operating costs through May were \$54.6 million, which is \$4.3 million less than the budget. These costs are \$4.28 million or 7.3 percent less than operating costs for the same period one year earlier. Foothill Transit had sufficient funds to meet all of its obligations.

### **Balance Sheet Analysis (Attachment A):**

#### Assets

The balance sheet as May 31, 2011 shows total assets at \$214.3 million. This total consists primarily of \$152 million in fixed assets and \$57 million in cash and investments. The cash and investments balance includes \$5.0 million invested in the Local Agency Investment Fund (LAIF); \$32.3 million in non-interest bearing accounts

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held with Bank of the West; \$10.0 million in an interest bearing account with Bank of the West; \$3.3 million with Chase; \$4.0 million invested in FDIC insured Certificates of Deposits earning interest through the Certificate of Deposits Account Registry Service (CDARS) program; and \$2.0 million in US Treasury Bills.

**Investments** (Attachment B)

Our current investments are held in financial instruments pursuant to Foothill Transit's investment policy. Funds held with Bank of the West are in non-interest earning accounts to qualify for FDIC insurance, eliminating the risk of loss in an interest bearing account secured with required collateral. The LAIF investment, the CDARS investments, the deposits with Chase and US Treasury Bills earn interest and are held for future capital and operating funding requirements. These accounts earn interest; however at a very low rate. The LAIF interest rate as of May 2011 was 0.413 percent; slightly less than the previous month's rate of 0.588 percent. The most recent change in the prime interest rate was effective December 16, 2008 reducing it to 3.25 percent. While the prime has not changed in more than two years, LAIF interest rates have continued a downward trend with a slight increase during the current month.

**Liabilities**

The accounts payable balance is \$6.47 million. \$5.88 million of this amount represents the amount due and payable to the operations and maintenance contractors for April and May services. Other amounts payable include fuel costs of \$544,000 and Monrovia Dial-A-Ride service of \$45,000.

**Operating Revenue and Expense Analysis** (Attachment C):

**Fare Revenue**

May 2011 fare revenue of \$1.4 million was 11.6 percent more than the monthly budgeted amount and \$27,000 less than April 2011 revenue. The May fare revenue figure is in line with the annual average at \$1.4 million. This indicates that the higher than normal revenue received in April and slightly higher than normal revenue received in May was related to the timing of fare revenue deposits in those months.

May revenues continue the positive trend experienced since the beginning of the fiscal year. May year-to-date revenues are 6 percent more than the previous year and 11.64 percent more than the budget; and the average monthly revenue is 6 percent more than Fiscal Year 2010 average monthly revenue. These could be indicators that the economy may be improving, with ridership increasing in recent months even though recent unemployment figures have indicated little change in unemployment. However, increases in gasoline prices may have pushed commuters out of their cars and into public transportation, thereby increasing ridership.

State and Local Funding Subsidies of \$47.5 million (consisting of Transportation Development Act funds, Proposition A and C grants, and other income) were

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approximately 3.8 percent more than planned for in the budget. Foothill Transit has sufficient funds to meet all of its obligations.

Expenses

May 2011 year-to-date operating expenses were \$54.6 million, compared with the budget of \$59 million. This difference of approximately \$4.4 million resulted in a 7.36 percent favorable variance. The majority of this favorable variance is the result of fuel cost savings of \$2.97 million and reduced contractor costs of \$1.43 million. It should be noted that the May 2011 year-to-date expenses of \$54.65 million are \$4.3 million less than the prior fiscal year.

Farebox Recovery Ratio

The May 2011 year-to-date farebox recovery ratio was 29 percent. This is 6.45 percent more than the performance target of 22.55 percent. The farebox recovery ratio was derived by dividing the total fare revenue figure of \$15,842,470 by the total operating expense figure of \$54,647,501. This ratio has increased 0.14 percent from the May 2010 figure of 25.37 percent.

Sincerely,



Richard Hasenohrl  
Director of Finance



Doran J. Barnes  
Executive Director

Attachments

Foothill Transit  
Balance Sheet  
As of May 31, 2011

**Assets**

## Current Assets:

Cash	\$ 42,694,378
Investments	14,295,209
Due from government agencies	3,615,777
Other receivables	1,321,635
Other assets	296,635
Total Current Assets	<u>62,223,635</u>
Property & Equipment (net of depreciation)	152,045,486
Total Assets	<u><u>\$ 214,269,121</u></u>

**Liabilities and Equity**

## Current Liabilities:

Accounts payable and accrued liabilities	\$ 6,940,832
Current portion of long term debt	
Long Term debt:	1,000,000
Deferred Revenue	22,531,205
Total Liabilities	<u>30,472,038</u>

**Equity**

Investment in Fixed Assets (net):	
Fund Balance:	<u>183,797,084</u>
Total Equity	<u>183,797,084</u>
Total Liabilities and Equity	<u><u>\$ 214,269,121</u></u>

Summary of Cash and  
Investment Account  
For May 31, 2011

	Interest Rate	Term	Principal Amount/Book Value	Market Value
Cash:				
Bank of the West-Reg. Checking	N/A	Demand Deposit	\$22,372,615	\$22,372,615
Petty Cash	N/A	N/A	400	400
Revolving Fund - Transit Stores	N/A	N/A	1,500	1,500
Bank of the West-Money Market	0.150%		10,009,113	10,009,113
Bank of the West-Excise Tax	N/A	Demand Deposit	6,284,989	6,284,989
Bank of the West-CTAF <sup>3</sup> Fund	0.750%	Demand Deposit	327,438	327,438
Bank of the West-Bus. Checking	N/A	Demand Deposit	3,698,323	3,698,323
Subtotal Cash on Hand			42,694,378	42,694,378
Unrestricted Investments:				
Chase Business Saving	0.500%	Demand Deposit	3,303,576	3,303,576
Bank of the West-CDARS	N/A	Cert. of Deposit	4,000,000	4,000,000
Treasury Bills			1,996,158	1,996,158
LAIF Investment	0.500%	Demand Deposit	4,995,476	4,995,476
Subtotal Unrestricted Investments			14,295,209	14,295,209
Total Cash and Investments			<u>\$56,989,587</u>	<u>\$56,989,587</u>

**Notes:**

- 1) The investments listed above are in compliance with Foothill Transit's Investment Policy dated July 22, 2004.
- 2) Foothill Transit has the ability to meet its expenditure requirements for the next six months.
- 3) California Transit Assistance Funds

Foothill Transit  
Statement of Revenue and Expense  
For Month Ended May 31, 2011

	Actual May -11	Budget May -11	Variance Favorable (Unfavorable)	Actual May - 10	Beginning Balance	May Activity
<b>Operating Revenue</b>						
Farebox	\$9,979,327	\$9,971,683	0.08%	\$9,307,081	\$8,921,966	\$1,057,362
Pass Sales	2,786,914	2,030,508	37.25%	2,449,728	2,518,343	268,571
TAP Cash Purse	1,911,139	1,086,617	75.88%	1,776,361	1,940,984	(29,845)
MetroLink	29,619	20,350	45.55%		26,130	3,489
EZ Transit Pass	1,135,472	1,081,025	5.04%	1,414,746	1,020,443	115,028
<b>Total Operating Revenue</b>	<b>15,842,470</b>	<b>14,190,183</b>	<b>11.64%</b>	<b>14,947,916</b>	<b>14,427,866</b>	<b>1,414,604</b>
<b>Non-Operating Revenue</b>						
FTA Sec 5307 Operating	3,484,250	4,583,333		2,226,213	2,715,650	768,600
FTA Sec 5307 ARRA	397,988	1,833,333	(78.29%)		397,988	
Transportation Development Act (TDA)	12,902,551	12,659,167	1.92%	13,944,684	11,714,717	1,187,834
STA	5,280,754	3,391,667	55.70%	4,827,466	5,280,754	
Prop A 40% Discretionary	11,679,053	10,617,567	10.00%	11,039,636	10,617,321	1,061,732
Prop A & C Interest	(10,918)			3,152,048	(10,918)	
Prop A 40% BSCP	2,379,816	2,679,600	(11.19%)	2,941,313	2,091,653	288,163
Prop C Base Restructuring	1,596,001	1,430,000	11.61%	1,530,331	1,450,910	145,091
Prop C BSIP	743,050	580,250	28.06%	725,282	675,500	67,550
Prop C Transit Service Expansion	265,958	207,717	28.04%	259,598	241,780	24,178
Transit Security-Operating	498,447	499,950	(0.30%)	614,510	453,133	45,313
Measure R Operating	6,793,116	5,928,817	14.58%	5,390,188	6,175,560	617,556
Excise Tax Credit						
Gain on Sale of Fixed Assets	105,429				105,429	
Auxiliary Revenue	1,421,015	1,375,000	3.35%	1,946,189	1,307,947	113,068
<b>Total Non-Operating Revenue</b>	<b>47,536,509</b>	<b>45,786,401</b>	<b>3.82%</b>	<b>48,597,458</b>	<b>43,217,424</b>	<b>4,319,065</b>
<b>Total Revenue</b>	<b>63,378,980</b>	<b>59,976,584</b>	<b>5.67%</b>	<b>63,545,374</b>	<b>57,645,290</b>	<b>5,733,689</b>
<b>Available Capital Funding</b>						
Capital Grants	15,343,444			6,802,393	15,092,302	251,142
Other						
<b>Total Revenue and Capital Funding</b>	<b>78,722,424</b>	<b>59,976,584</b>		<b>70,347,767</b>	<b>72,737,592</b>	<b>5,984,832</b>
<b>OPERATING EXPENSES</b>						
Operations	46,313,927	50,938,433	9.08%	50,850,663	41,742,519	4,571,408
Marketing and Communications	1,153,737	1,124,383	(2.61%)	1,103,151	1,073,375	80,362
Information Technology	1,148,151	1,195,883	3.99%	838,345	1,044,559	103,592
Administration	1,928,773	1,671,542	(15.39%)	1,839,734	1,767,259	161,514
Sales and Service	1,540,294	1,550,908	0.68%	1,480,240	1,401,658	138,635
Finance	963,022	980,742	1.81%	906,505	881,258	81,764
Safety and Security	586,293	695,292	15.68%	635,723	533,427	52,865
Planning	533,900	607,200	12.07%	614,823	480,873	53,027
Building Management	479,405	226,783	(111.39%)	660,493	439,753	39,652
<b>Total Operating Expenses</b>	<b>54,647,501</b>	<b>58,991,167</b>	<b>7.36%</b>	<b>58,929,677</b>	<b>49,364,681</b>	<b>5,282,820</b>
<b>Capital and Other Expenses</b>						
Capital	15,364,118		N/A	6,588,416	15,364,118	
Interest			N/A			
Dial-A-Ride	578,712		N/A	532,017	522,081	56,631
Special Services	197,317		N/A	362,692	197,317	
Other Misc. expense	41,463		N/A		40,912	551
<b>Total Capital and Other Expenditures</b>	<b>16,181,610</b>		<b>N/A</b>	<b>7,483,125</b>	<b>16,124,428</b>	<b>57,182</b>
<b>Increase (Decrease) of Revenues Over Expenditures</b>	<b>\$ 7,893,313</b>			<b>\$ 3,934,965</b>	<b>\$ 7,248,483</b>	<b>644,831</b>